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NORELKCO NATURAL HEALTH PRODUCTS FOR PETS TRADE SHOWS PILOT PROJECT

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Vet Pro Naturals

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Introduction

This project was engaged in March 2006. The general thrust of this project was to market 7 natural pet products to the veterinary industry in Canada and the United States. The seven products are:

1) Joint Plus – to treat osteoarthritis in dogs
2) Senior Dog – to treat osteoarthritis in older dogs plus provide other natural supplements to sustain older dog's health
3) Recovery – to reduce inflammation and promote healing in dogs that have had surgery
4) Puppy Fortifier – to sustain the health of smaller puppies in a litter
5) Allergy Dog – to relieve the symptoms of allergies such as sneezing, coughing, scratching
6) Senior Cat – to reduce the effects of aging in older cats, increase energy, support joint function and stimulate appetite.
7) Allergy Cat – to relieve the symptoms of allergies such as sneezing, coughing, scratching

All the products contained a variety of natural ingredients developed by a homeopathic veterinarian in Saskatoon. Some common ingredients used in the formulations were ginseng, flax, B – complex, horse tail, kelp, lactobacillus, potassium, cholene and elk velvet.

Consumer trends indicated that people were moving towards more natural ingredients to treat common ailment in cats and dogs instead of using drugs. The rationale of this company was to try to offer a variety of different products to satisfy the needs of this growing trend in the market place and to use the vet channel as a way to market these seven products. The funding provided by the Ag Value fund was used to exclusively support this goal. With this grant money Norelkco 1) Developed promotional material for seven products 2) Printed Promotional material 3) Attend veterinary trade shows in Canada and the U.S.

Methods

The marketing strategy used was to develop a generic pamphlet that introduced all seven products, stated the reason why the product should be used, highlighted some unique features of the products and detailed contact and order information. Beside this pamphlet a product information sheet was developed for each individual product highlighting its benefits, ingredients, and symptoms the product treated. A professional trade show booth was purchased and a 4 panel display background picture was designed for the booth. Norelkco booked trade show space for six veterinary conventions across Canada and the U.S. We also attended two Veterinary Technician conferences in Canada.

1) Saskatchewan Veterinary Convention

2) CanWest Veterinary Convention (B.C. / Alberta)
3) Ontario Veterinary Convention
4) Florida Veterinary Convention
5) American Holistic Veterinary Conference
6) Advanstar expo
7) Alberta Vet Tech Convention
8) Saskatchewan Vet Tech Convention

Originally the plans were to just attend the Can West, Florida and American Holistic conventions. The Saskatchewan convention was added as a pilot to practice our trade show marketing. The Ontario conference was added because information provided to us proved it was a large conference with high numbers. The two Vet Tech conferences were attended to test this marketing channel. There were close to our office, could be reached by vehicle and had a significantly lower trade show booth price. Promotional material was handed out all the trade shows and at four trade show free samples of our product was handed out to vets who visited our booth.

Results

Unfortunately the sales from our efforts have not materialized yet. The company is still very young and needs to spend more time in the market place familiarizing the industry with our products and exposing the brand. Often when marketing a new product there is a delayed response to your efforts and our company hopes that sales will be forth coming. Sales for the year ending 2006 were as follows:

	Allergy Relief - Cats	22.50
	Allergy Relief - Dogs	391.43
	Joint Plus	890.11
	Puppy Fortifien - Dogs	68.85
	Recovery	24.95
	Senior – Cat	193.64
	Senior – Dogs	197.04
Total Vet Pro		1,788.52

Needless to say the above described marketing plan has resulted in a tremendous learning experience both in marketing strategy and feed back received from practicing veterinarian in the industry. Below is a brief summary of some of the results and learning that has occurred as a result of our first 6 months of marketing our seven products.

1) Free Samples: At the first four conventions free samples of the product were given to any practicing veterinary that stopped by the Vet Pro Naturals booth. The underlying logic was that if the vets could try the product and if the product made a significant contribution to the health of the pet they were treating they would contact our company and reorder product. It is my estimation that approximately 1,500 free bottles were given at with an average input cost per bottle of approximately $6.00.

Some orders did come in as a result of the free samples but they were probably less than 5%. If every vet had made a order after using our free samples our sales would have been much higher. To explain the poor results of the promotion I suspect that 1) the vets received the free sample but forgot or failed to use it 2) Used the free sample and found it ineffective. Regardless we have no information about the vets experience with our product. Free samples should have been tied to some commitment by the vet to provide information that they have indeed used the product and the results of administering the product to an animal. This information could have been used for new marketing programs or to gain feed back about the efficacy or palpability of our products. In the latter trade shows we developed a survey with the free product we gave out and some veterinarians used our product and sent back valuable information about our products.

2) Distribution Channel: it was agreed upon by our board that we would distribute the seven products from our office via mail and the internet in order to save costs and keep control in house. The cost for this distribution system was estimated to be 7% of the value of this product. This strategy proved wrong. There were no sales through the internet and this purchase method has now been disabled. Minimal orders for our product came into our head office. Vets prefer to purchase through a large distributor that exclusively sells veterinary products. Distributing "Vet Pro " products through in house methods was out of the scope of the normal purchasing procedure of veterinary clinics. It probably also caused some skepticism of our products as to why our company did not use a traditional channel. It also required vets to make an additional call or set up an additional account to obtain our products. In January of 2007 we signed a one year contract with a national veterinary distribution chain. Their cost to distribute our product is 25% of the value of the sale compare to our 7% in house distribution.

3) Lack of Clinical Scientific Research: our seven products were formulated by a holistic veterinarian in Saskatoon based upon her knowledge and experience in the industry. Regardless of this background none of our products were tested in the market for efficacy before sales began. We had not done any clinical trials on any of the products to prove their effectiveness in treating common ailment in dogs and cats. Many vets at the trade shows asked for proof. We only had proof from individual ingredients rather than any branded research. If we had taken one product and had it tested by an independent third party and had these results to show to the vets it could of increased our sales and secured our credibility. Vets are discriminating buyers that are highly educated. They question and demand proof before they purchase. To appeal to this attribute of our target segment we should have established branded research for our products before we launched. We assumed acceptance by the vets without clinical trials. Presently there is a plan in place for a clinic in Ontario to conduct a clinical trial for our recovery product.

4) Category Assessment: Our products were designed to mitigate or cure common ailments in dogs and cats. We positioned our products as natural ingredients as an alternative to veterinary drug products. This was the wrong positioning strategy. In

general the industry has already embraced to some degree natural alternatives as a treatment option. For example most of the vets are using glucosamine products before using NSAID drug products to treat osteoarthritis in dogs and cats. They consider glucosamine as a natural product already. So when we offered our vet pro products to vets we are competing against glucosamine not drugs. This fact was not anticipated. Our marketing material and sales pitch set against the drug category when they should have be designed to compete against other natural ingredients that are already out in the market place before us. We needed to compete in the natural category and should have designed a marketing communication strategy to compete with other natural products.

5) U.S. Market – within three months of introducing our products into the Canadian market our company decided to enter the U.S. market. Sales from the country thus for are under $400. From the three trade shows we have attended there, we still have not recouped a fraction of our costs of investing in this market. The expenses to enter this market have been significant. (ie. Airfare, convention registration, lodging, labor) Also we found out later that our seven vet pro products where not allowed to travel across the Canada / U.S. border. Some of our ingredients were not recognized by the FDA as allowable feed ingredients for pets. Thus our company decided to manufacture our seven products in the U.S. by giving our formulations to a manufacturer there thus avoiding the border complication. Orders that came from U.S. veterinary clinics would be shipped from our U.S. manufacturer. Entering a huge U.S. market required a substantial capital investment and although we were able to afford the initial cost, any supplemental marketing to reinforce our brand and its benefits in this huge market will be unaffordable given our financial constrains. It will be difficult to invest in new marketing programs to encourage sales for all of the North American Veterinary Market.

6) Nature of Vet Pro line Products – our products do not have any determinant attribute in the market place. They don't represent a position in the market that no one else occupies. Furthermore, it is more common to find natural products offered to veterinarians. The popularity of glucosamine is prime example of vets moving towards natural ingredients to treat osteoarthritis. Furthermore the benefit of using natural products generally does not have an immediate empirical response that demonstrates the efficacy of the product. Often a dog must consume a natural product for an extended period to see improvement. Thus to facilitate acceptance of our products there must be a clear, consistent message that is reinforced to the targeted segment through a variety of media vehicles. Flying to a trade show – spending three days giving out free product and handing out brochures – and then expecting sales is unrealistic. The nature of the product and the market requires that significant promotional dollars be spent in repetition and reinforcement of the message in a integrated marketing communications program that steps our target market through the traditional purchasing model of awareness, familiarity, affective attraction, trail purchase behavior, and finally committed customer. Expecting immediate sales given the nature of the product we are selling is unrealistic.